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Programme budget for the biennium 2018–2019**Human resources management****United Nations common system****Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations****Administrative and financial implications of the decisions
and recommendations contained in the report of the
International Civil Service Commission for the year 2018******Statement submitted by the Secretary-General in accordance with
rule 153 of the rules of procedure of the General Assembly***Summary*

The present statement, submitted pursuant to rule 153 of the rules of procedure of the General Assembly, describes the administrative and financial implications arising from the recommendations of the International Civil Service Commission for the common system that call for decisions by the Assembly, in particular for the programme budget of the United Nations for the biennium 2018–2019 and the upcoming proposed programme budget for the year 2020. In the interest of providing comprehensive information, the statement also describes the implications for the budgets of peacekeeping operations for the 2018/19 and 2019/20 peacekeeping financial periods.

* A/73/150.

** An advance version of the report of the International Civil Service Commission for the year 2018 (A/73/30) was used in the preparation of the present statement.



Should the General Assembly approve the recommendations of the Commission, the resource requirements arising from those recommendations are estimated at \$9,725,200 under the programme budget of the United Nations for the biennium 2018–2019 and would be addressed in the context of the first and second performance reports, as appropriate. The financial implications for the upcoming proposed programme budget for the year 2020 are estimated at \$9,725,200 and would be taken into account in the context of that proposed programme budget. The resource requirements for peacekeeping operations are estimated at \$3,548,800 for the financial period 2018/19, and the proposed requirements for the financial period 2019/20 are estimated at \$7,097,600 and would be taken into account, as necessary, in the context of the performance reports for the period 1 July 2018 to 30 June 2019 and in the context of the upcoming proposed budget for the financial period from 1 July 2019 to 30 June 2020.

I. Introduction

1. The annual report of the International Civil Service Commission (ICSC) for 2018 (A/73/30) contains decisions and recommendations giving rise to financial implications for the programme budget of the United Nations Secretariat, starting with the biennium 2018–2019, and the budgets of peacekeeping operations, starting with the financial period 2018/19, related to the following issues:

- (a) Changes in pensionable remuneration for both categories of staff;
- (b) End-of-service grant;
- (c) Remuneration of the Professional and higher categories of staff;
- (d) Children's and secondary dependant's allowances;
- (e) Conditions of service in the field: hardship locations classified in the D and E categories.

II. Pensionable remuneration for both categories of staff

2. The comprehensive review of pensionable remuneration was included in the programme of work of the Commission for 2017–2018. At its eighty-fifth session, held in July 2017, the Commission conducted an initial review of options for changes to the grossing-up factors applicable to the Professional and General Service categories, as well as options for recalculating the pensionable remuneration scale of Professional staff and revising the formula for the calculation of pensionable remuneration for ungraded officials based on the unified salary scale. It also examined the incidence of income inversion. Recognizing the complexity and interdependence of the various elements involved, the Commission decided to establish a working group on pensionable remuneration to further explore all of the options proposed and conduct a study of the common scale of staff assessment in close interrelationship with the other items.

3. The working group's findings and recommendations were presented to the Commission at its eighty-sixth session. At its eighty-seventh session, the Commission reviewed the results of a comparability study of the pension schemes of the United Nations and the federal civil service of the United States of America that had been completed by the ICSC and United Nations Joint Staff Pension Fund secretariats.

4. Following discussion in the Commission, the Commission decided to recommend to the General Assembly that:

- (a) Pensionable remuneration for all categories should be based on single rates of the common scale of staff assessment;
- (b) The common scale of staff assessment should be revised as shown in annex II to the annual report;
- (c) The scale of pensionable remuneration and pay protection points for staff in the Professional and higher categories should be revised as shown in annex III of the annual report;
- (d) The pensionable remuneration for ungraded officials should be calculated with reference to the top step of the D-2 level, and the adjustment factor should be revised to 85 per cent.

5. The financial implications in respect of the changes in pensionable remuneration for Professional and higher categories of staff are estimated by the Commission at approximately \$38.4 million per annum, system-wide. In this regard, the financial

implications for the programme budget for the biennium 2018–2019 are estimated at \$4,254,100, as well as for the upcoming proposed programme budget for the year 2020. The financial implications for peacekeeping operations are estimated at \$1,564,000 for the financial period from 1 July 2018 to 30 June 2019 and \$3,128,000 for the financial period from 1 July 2019 to 30 June 2020.

III. End-of-service grant

6. In its resolution 71/264, the General Assembly requested that the Commission undertake a comprehensive analysis of the effect of the adoption of their recommendation to introduce an end-of-service grant for fixed-term staff separating from the Organization upon the expiration of their appointment after 10 or more years of continuous service. The Assembly requested that the Commission include the updated financial implications and the distinctions between temporary, fixed-term and continuing appointments and report thereon to the Assembly at its seventy-third session in order for a decision to be taken on the recommendation.

7. As part of the comprehensive analysis requested by the General Assembly, the Commission reviewed the distinctions between the three contractual arrangements for staff employment in the common system, current jurisprudence on the renewal of fixed-term appointments and the prevailing practices of other regional and international organizations, as well as the practice of the comparator civil service. Noting that the same proposal for an end-of-service grant had been recommended in 2010 and 2016, the Commission considered the merits of the proposal as well as alternative eligibility criteria and payment amounts. For the purpose of updating the financial implications, the Commission also reviewed statistics on staff separations during the period of 2015–2017, based on data provided by 21 organizations of the common system.

8. Following discussion in the Commission, the Commission decided to recommend the introduction of an end-of-service grant to assist staff separating from the organizations, subject to the following provisions:

(a) That the end-of-service grant be paid to staff members who separate from the organizations at the expiration of their fixed-term appointment, after five or more years of continuous service; and

(b) That the end-of-service grant be paid as a lump-sum in accordance with the eligibility criteria and pay schedule set out in annex IV of the annual report.

9. The financial implications associated with the introduction of an end-of-service grant are estimated by the Commission at \$10.9 million per annum, system-wide. The Commission noted that this cost was estimated based on an atypical number of separations, due to the closing of multiple United Nations missions, and was likely to be less in subsequent years. In this regard, the financial implications are estimated at \$2,242,900 for the programme budget for the biennium 2018–2019, as well as for the upcoming proposed programme budget for the year 2020. The financial implications for peacekeeping operations are estimated at \$809,900 for the financial period from 1 July 2018 to 30 June 2019 and \$1,619,800 for the financial period from 1 July 2019 to 30 June 2020.

IV. Conditions of service of the Professional and higher categories

A. Base/floor salary scale (separation payments)

10. The Commission recommended that an increase in the base/floor salary of 1.83 per cent as at 1 January 2019 would be implemented through the standard no-loss-no-gain procedure, that is by increasing the base/floor salary scale and commensurately decreasing post adjustment multipliers. The Commission recalled that, while generally cost neutral in terms of net remuneration, the base scale adjustment procedure would have implications in respect of separation payments.

11. The financial implications associated with the Commission's recommendation on an increase of the base/floor salary scale are estimated by the Commission at \$802,000 per annum, system-wide. Consequently, the financial implications are estimated at \$84,900 for the programme budget for the biennium 2018–2019, as well as for the upcoming proposed programme budget for the year 2020. The financial implications for peacekeeping operations are estimated at \$31,200 for the financial period from 1 July 2018 to 30 June 2019 and \$62,400 for the financial period from 1 July 2019 to 30 June 2020.

B. Children's and secondary dependant's allowances

12. In 2017, the Commission had reviewed the existing methodology for children's and secondary dependant's allowances, and decided to maintain it, but to keep it under review. At the same time, it recognized that the calculation procedure must be aligned with the new salary structure in terms of the reference salary level at which child benefits were established, because the previous reference level, namely the dependency rate of pay, had been discontinued as of January 2017. In this connection, the Commission requested its secretariat to explore two calculation options — one based on the unified salary scale rate plus the spouse allowance and the other based on the unified salary scale alone — and to present both for its consideration at its eighty-seventh session in the summer of 2018 (see A/72/30, para. 144 (b)).

13. Accordingly, the Commission was presented with the two options to calculate the children's allowance as specified above. Following the discussion in the Commission, the Commission decided to recommend, that as at 1 January 2019:

(a) The children's allowance be set at \$3,666 per annum, and the allowance for children with disabilities at \$7,332 per annum;

(b) The secondary dependant's allowance be set at \$1,283 per annum;

(c) The United States dollar amount of the allowance, as established in subparagraphs (a) and (b) above, be converted to local currency using the official United Nations exchange rate as at the date of implementation and remain unchanged until the next biennial review;

(d) The dependency allowances be reduced by the amount of any direct payments received by staff from a Government in respect of dependants.

14. The financial implications resulting from the Commission's recommendation on an increase of the children's allowance are estimated by the Commission at \$26.8 million per annum, system-wide. In this regard, the financial implications are estimated at \$2,851,400 for the programme budget for the biennium 2018–2019, as well as for the upcoming proposed programme budget for the year 2020. The financial implications for peacekeeping operations are estimated at \$947,700 for the financial

period from 1 July 2018 to 30 June 2019 and \$1,895,400 for the financial period from 1 July 2019 to 30 June 2020.

V. Conditions of service in the field: duty stations with extreme hardship conditions

15. At its eighty-fifth session, during the Commission's discussion of the hardship classification methodology, the field-based organizations in the Human Resources Network of the United Nations System Chief Executives Board for Coordination raised the issue of duty stations with a hardship classification of D or E that were not designated as non-family. The Commission discussed whether the organizations could offer some flexibility to staff members in such locations, so that staff members could either take their families with them and receive installation-related allowances, or not take their families and receive the non-family service allowance instead. The Commission was also of the view that the organizations could work on these aspects alongside other duty-of-care initiatives.

16. At its eighty-sixth session, the Commission reviewed a report submitted by the Human Resources Network on duty stations with hardship classifications of D or E that were not designated as non-family. In the report, the Network pointed out the particular responsibility of United Nations organizations as employers with regard to the duty of care for staff and their families. Offering adequate alternative arrangements that supported the well-being of staff and their families was seen as an important element of the United Nations duty of care to staff members. The Commission decided: (a) to request more data from the Human Resources Network on the issue of separations from family in difficult duty stations that were not designated as non-family; and (b) that the issue should be examined by a working group.

17. At its eighty-seventh session, the Commission reviewed a report of the working group and considered the options submitted by the working group. After having debated the implications of various approaches in relation to the rationale, scope and level of the allowance, the Commission decided that:

(a) The staff member should decide whether to install or not install eligible dependants in duty stations classified in hardship categories D or E that are not designated as non-family duty stations;

(b) The need expressed by organizations and staff federations should be addressed by providing a reduced amount of the non-family service allowance, in the amount of \$15,000 per year, for staff members with eligible dependants to help defray the costs of maintaining eligible dependants elsewhere;

(c) This amount of \$15,000 per year for staff members with dependants would be granted to a staff member who requested such an allowance at the time of taking up an assignment in a D or E duty station not designated as non-family, in lieu of the option to install the eligible dependants at the duty station;

(d) If any eligible dependant was installed in the duty station the allowance would not be payable;

(e) This allowance would be reviewed following the full implementation of the revised hardship methodology at the completion of the cycle that ends in 2019.

18. The financial implications resulting from the Commission's decision are estimated by the Commission at \$6.5 million per annum, system-wide, assuming that no staff members choose to install their eligible dependants in those duty stations. On the basis of the statistics of staff serving in hardship levels D and E duty stations that

are not designated as non-family duty stations, as provided by the United Nations Secretariat, the financial implications are estimated at \$291,900 for the programme budget for the biennium 2018–2019, as well as for the upcoming proposed programme budget for the year 2020. The financial implications for peacekeeping operations are estimated at \$196,000 for the financial period from 1 July 2018 to 30 June 2019 and at \$392,000 for the financial period from 1 July 2019 to 30 June 2020.

VI. Conclusions and recommendations

19. The financial implications arising from the decisions and recommendations of the International Civil Service Commission are summarized as follows:

(a) The financial implications for the programme budget of the United Nations are estimated at \$9,725,200 for the biennium 2018–2019, as well as for the upcoming proposed programme budget for the year 2020;

(b) The financial implications for the budgets of peacekeeping operations for the financial period 2018/19 are estimated at \$3,548,800, and the requirements for the financial period 2019/20 are estimated at \$7,097,600.

20. Should the General Assembly approve the recommendations of the Commission:

(a) Requirements for the biennium 2018–2019 for the United Nations Secretariat would be addressed, as necessary, in the context of the first and second performance reports for the biennium 2018–2019, as appropriate, and requirements for the year 2020 would be taken into account in the context of that upcoming proposed programme budget;

(b) Requirements for the budgets for peacekeeping operations would be addressed, as necessary, in the context of the performance reports for the period from 1 July 2018 to 30 June 2019 and in the context of the upcoming proposed budgets for the financial period from 1 July 2019 to 30 June 2020.